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An Empirical Analysis of Pricing in Luxury Fashion Brands

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Abstract: Characteristics of luxury fashion brands were unveiled from regular and selling prices extracted from retail online stores specialized for luxury fashion. This paper introduced an assumption that a brand determines regular prices definitively, however, retail online stores dynamically adjust selling prices considering the balance between consumer demand and producer supply. Regular price distributions showed the prestige of 34 luxury fashion brands, where traditional French and Italian brands appeared in in a higher rank. However, two emerging luxury brands also appeared in a higher rank. This result suggests mobility of creative talents enabled to inherit brand equity of traditional and prestigious brand beyond the border of brands. The result of ANOVA suggests that 34 luxury fashion brands were segregated in the market, even price distributions overlap each other. Two-way ANOVA for brand groups comprised and main and diffusion lines confirmed the difference between lines and the difference between regular and selling prices. This paper classified these brand groups into five types based on brand operations in addition to the price relationship between main and diffusion lines.

Keywords: Luxury fashion, Online store, Regular and selling prices, Prestige, Diffusion line

1. INTRODUCTION

Market of personal luxury products and services are expected to continue the growth mainly in developed and emerging countries. The market size has amounted to 262 euro billion in 2017, which is three-fold increase compared to the market size in 1996 [1]. Luxury products that fascinates the customers are quite different from commodity products, in terms of the tangible and intangible added value that cannot be expressed by their function and performance.

Luxury products and brands have been studied from studied from multifaceted viewpoints, in an interdisciplinary field comprised of cultural backgrounds of history and heritage, product design and integrity, and marketing strategy such as positioning and pricing. In particular in marketing research, existing frameworks designed for commodity products emphasizing high performance and low price were not enough for analyzing luxury products [2]. Quantitative analyses of consumer investigation targeting luxury brands were also reported so far In behavioral science and psychology [3,4]. Except the papers on brand extension [5-8], existing papers discussed case studies focusing on a specified luxury brand [9-10]. Results in these papers are interesting but

difficult to generalize due to the limited cases.

Ready-to-wear products of luxury fashion brands appeared in fashion shows give a great impact to mass fashion products and lead entire fashion trends. Luxury fashion brands limit distribution channels to directly managed stores and department stores to provide special purchase experiences for customers by the visual merchandising like a museum. Therefore, luxury fashion brands avoid selling their products in general merchandise stores, where various brand products are mixed, as the distribution channel. Consequently, the limited distribution channels allow luxury brands to strictly control price and brand image

In recent years, the online market has shown rapid growth. Online stores must be considered as a distribution channel, even for a luxury brand due to the large economic impact. This paper explores the attributes of luxury fashion products such as brand, prices, etc. extracted from web pages of online stores. We shed light on dynamic pricing of luxury fashion products observed from the difference between regular and selling prices, and quantitatively analyze characteristics of brands.

2. METHOD

2.1 Online luxury fashion store

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The online stores of luxury fashion products are categorized into flagship online stores and retail online stores. The following directly managed online stores are typical flagship online stores.

- Hermès, www.hermes.com
- CHANEL, www.chanel.com
- Louis Vuitton, www.louisvuitton.com
- 24 Sèvres managed by LVMH, www.24sevres.com

In 2000, Yoox and Net-A-Porter opened their retail online stores specialized for luxury fashion, respectively. Since Yoox and Net-A-Porter have a long history and large revenue in retail online stores for luxury fashion. In this study, we selected Yoox and Net-A-Porter that covers various brands for sources of quantitative analysis.

2.2 Product attributes

An HTML file on web page describes attributes of selling products in retail online store. Table 1 shows the attributes of luxury fashion products sold in Yoox and Net-A-Porter. We developed a crawling application automatically collecting product HTML and image files periodically, which saves them on a cloud service. We also developed scraping program extracting product attributes shown in Table 1 by Ruby programming language using Nokogiri package.

Table 1: Product attributes

1. Date	6. Regular price
2. URL	7. Selling price
3. Brand name	8. Stock
4. Product name	9. Image file name
5. Product ID	10. Path to image file

2.3 Brand

This study selected prominent European, American and Japanese luxury fashion brands that satisfy enough number of products sold in the US market to our analysis. Table 2 summarized the numbers of selected luxury fashion brands by country.

Table 2: Number of selected brands

Country	France	Italy	UK	US	Japan
Brands	21	20	8	15	10

3. PRESTIGE OF LUXURY FASHION BRANDS

Price is the most significant factor characterizing products as well as a luxury fashion products. There are various prices in accordance with distribution processes. For example, producer cost is comprised of manufacturing cost and producer profit. Wholesale and retail prices contain distribution margin in addition to the producer price. Regular and selling prices in this paper are the retail price of online stores. This paper introduced an assumption that a brand determines regular prices definitively, however, retail online stores dynamically adjust selling prices considering the balance between consumer demand and producer supply.

3.2 Price distribution

Firstly, we assume that the regular prices reflect the brand prestige. Secondary, we selected luxury fashion brands selling more than 800 items in retail online stores to ensure the reliability of quantitative analysis. In addition to these brands, we added Burberry Prorsum, which was a representative UK luxury fashion brand studied so far [8]. Figure 1 demonstrates the regular price distribution of various products by brand with a logarithmic scale. A box with a vertical line indicates 25%, 50%, and 75% percentiles of the regular price distribution. A horizontal dotted line indicates the range between lowest and highest prices. The result of ANOVA, $F_{(33, 126652)} = 835$, $p < 0.001$, suggests that 34 luxury fashion brands were segregated in the market, even price distributions overlap each other.

In figure 1, brands were listed in order from the highest mean regular price. Burberry Prosum regarded as a high-grade line of Burberry was ranked at the top. Except Tom Ford and Alexander McQueen, French and Italian brands with a long history, such as Valentino, Saint Laurent, Dior, Celine, Gucci appeared in a higher rank. Burberry established by Thomas Burberry at Basingstoke in the UK in 1886 has more than 160 year history. Burberry Prosum established in 1999 is a new brand, but inherits the tradition of Burberry from the 19th century. Gucci established by Guccio Gucci in Florence, Italy in 1923 after World War I was a leather goods manufacturer. Dior established by Christian Dior in Paris, France in 1946 after World War II is a core brand in conglomerate LVMH. Valentino was established by Valentino Gravani at Rome, Italy in 1957. Saint Laurent was established by Yves Henri Donat Mathieu-Saint- Laurent under support from Pierre Bergé in Paris, France in 1962. These brands have more than 60 years history, at least. It suggests that long history and tradition of the brand and premium price shape the prestige.

Tom Ford ranked as the 2nd place was established by Thomas Carlyle Ford and Domenico De Sole in 2006. Alexander McQueen ranked at 6th place was established was established by Lee Alexander McQueen himself in 1992. These two brands did not have a long history and tradition at a glance, compared with typical luxury brands described above. It is very interesting why these two brands can keep the premium price in spite of relatively short history.

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This paper discusses how emerging luxury brands acquire a prestigious position in the market in the short term. Thomas Carlyle Ford had worked as a creative director of Gucci and Yves Saint Laurent Rive Gauche. When he joined to Gucci in 1994, Gucci had been fundamentally restructuring the historical brand to regenerate. Therefore, he had experienced how to establish prestigious brands in this period. Lee Alexander McQueen had also worked as a designer for historical brands such as Givenchy. In spite of the relatively short history of Tom Ford and Alexander McQueen, mobility of creative talent enabled to inherit brand equity of traditional and prestigious brand such as Gucci and Givenchy beyond the border of brands. Indirect inheritance of DNA from traditional and prestigious brands will be a significant issue for an emerging luxury fashion brand for success in the market, from the aspect of brand management.

brand image with the main line for young consumers who do not have enough disposable income [8].

Figure 2 shows regular and selling price distribution of brands operating diffusion lines. White and gray boxes illustrated distributions of regular and selling prices, respectively. Main and diffusion lines tend to be divided into high and low prices. This tendency clearly appears in in Armani, Chloé, and Valentino. In terms of brands (main and diffusion lines) and prices (regular and selling), we applied two-way ANOVA for each brand group. In case of Giorgio Armani, Emporio Armani, and Armani Exchange, for main and diffusion lines, $F(2, 26291) = 4071$, $p < 0.001$, for regular and selling prices, $F(1, 26291) = 1455$, $p < 0.001$. Consequently, two-way ANOVA confirmed that the difference between main and diffusion lines and the difference between regular and selling prices for all brand groups. Although Miu Miu is a diffusion line of Prada, mean regular and selling prices of Miu Miu were both higher than that of Prada. Mean regular and selling prices of Junya Watanabe Comme des Garçons were both higher than that of Comme des Garçons.

Figure 1: Regular price distribution of luxury fashion brand.

4. DIFFISION LINE

An existing luxury fashion brand often creates a new line whose price level is lower than the main line to supply inexpensive products. A new branched line has been called a diffusion or second line. A diffusion line intends to supply inexpensive products that share prestigious
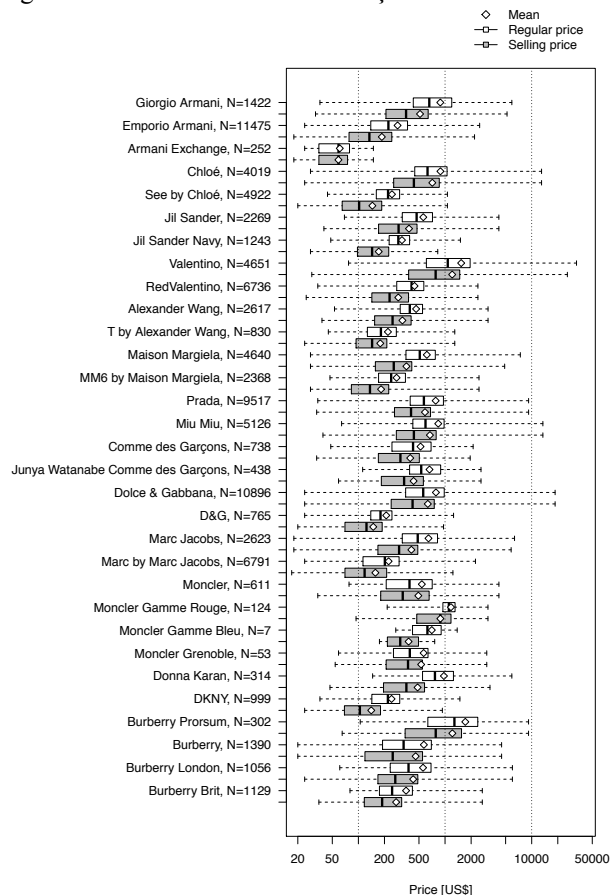

Figure 2: Regular and selling price distribution by brand group.

Table 3 classified these brand groups into five types based on brand operations in addition to the price relationship between main and diffusion lines. Brands

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classified into divided price lines type clearly divide main and diffusion lines to high and low prices. Brands classified to multiple high price lines has high priced diffusion line like Prada – Miu Miu and Comme des Garçons – Junya Watanabe Comme des Garçons. In these brand groups, the diffusion line has established a strong position as an independent brand in the market. Other brand groups discontinued diffusion lines, which were subdivided into discontinuance of high or low price lines and integration.

Table 3: Classification of brand groups comprised fo main and diffusion lines.

Type	Main line	Diffision lines
Divided price lines	Giorgio Armani	Emporio Armani Armani Exchange
	Chloé	See by Chloé
	Jil Sander	Jil Sander Navy
	Velentino	RedValentino
	Alexander Wang	T by Alexander Wang
	Maison Margiela	MM6 by Maison Margiela
Multiple high price lines	Prada Comme des Garçon	Miu Miu Junya Watanabe Commes des Garçon
Discontinuance of low price line	Dolce & Gabbana Marc Jacobs	D&G Marc by Marc Jacobs
Discontinuance of high price line	Moncler Donna Karan	Moncler Gamme Rouge Moncler Gamme Bleu Moncler Grenoble DKNY
Integration	Burberry	Burberry Prosum Burberry London Burberry Brit

5. JAPANESE BRAND

In Japanese luxury fashion brands, mean regular price of Sacai was the highest, followed by Issey Mitake, Junnya Watanabe Comme des Garçons, Comme des Garçons, Issey Miyake Cauliflower as shown in figure 3. Comme des Garçons established in 1969 has the longest history in these Japanese brands, regarded as a pioneer. Price level of Sacai is almost equal to Giorgio Armani and Fendi. It is interesting why Sacai can keep a high price level rather than major Japanese brands. In 1999, Chitose Abe worked for Comme des Garcons in the past established Sacai as an emerging brand. Sacai has been highly esteemed from prominent persons like Anna Winter, Karl Lagaerfeld, and Suzy Menkes in fashion industry. Sacai owns all stocks by themselves and has direct connection with overseas stockiest. Consequently, this brand management keeps independence of creative work in the brand and a prestigious position.

6. CONCLUSION

This paper revealed the characteristics of luxury fashion

brands from price information extracted from retail online stores. Regular and selling prices for 72 brands were analyzed. We assume that the brands definitively determine the regular price, and retail online stores dynamically adjust the selling price reflecting the balance between consumer demand and producer supply. The result suggests that emerging luxury fashion brands such as Tom Ford and Alexander McQueen inherited brand equity from historical and prestigious brands by mobility of creative talents. It will be an important issue to create a prestigious luxury fashion brand.
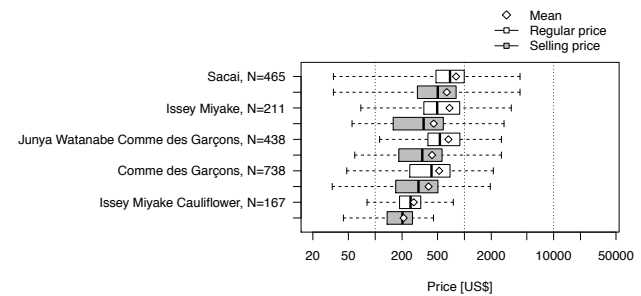

Figure 3: Price distribution of Japanese brands.

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